

WEST HARRISON COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2007

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West Harrison Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2006 Election)		
Dale Davis	President	2006
Jason Sherer	Vice-President	2007
Sue Maule	Board Member	2006
Kandy Forbes	Board Member	2007
Walter Utman	Board Member	2008

Board of Education (After September 2006 Election)

Jason Sherer	President	2007
Walter Utman	Vice-President	2008
Kandy Forbes	Board Member	2007
Jeri Sheppard	Board Member	2009
Tammy Neill	Board Member	2009

School Officials

Richard Gerking	Superintendent	2007
Jane Roden	Board Secretary/ Business Manager	2007
Ahlers & Cooney, P.C.	Attorney	2007

NOLTE, CORNMAN & JOHNSON P.C.
Certified Public Accountants
(a professional corporation)
117 West 3rd Street North, Newton, Iowa 50208-3040
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INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the
West Harrison Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the West Harrison Community School District, Mondamin, Iowa as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of West Harrison Community School District at June 30, 2007, and the respective changes in financial position and cash flows, where applicable, for the year ended in conformity with U.S. generally accepted accounting principles.

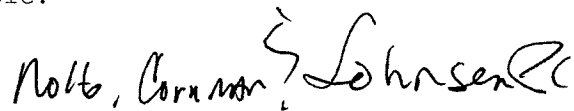
In accordance with Government Auditing Standards, we have also issued our report dated March 25, 2008 on our consideration of West Harrison Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 12 and 34 through 35 are not required parts of the basic financial statements, but are supplementary

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information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise West Harrison Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2006 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink, appearing to read "Nolte, Cornman & Johnson, P.C.", with a stylized flourish at the end.

NOLTE, CORNMAN & JOHNSON, P.C.

March 25, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

West Harrison Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2007. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2007 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$4,510,737 in fiscal 2006 to \$4,715,590 in fiscal 2007, and General Fund expenditures increased from \$4,497,065 in fiscal 2006 to \$4,694,641 in fiscal 2007. The District's General Fund balance increased from a deficit balance of \$18,360 in fiscal 2006 to a positive balance of \$6,089 in fiscal 2007, a 133.16% increase from the prior year.
- The increase in General Fund revenues was attributable to an increase in local taxes and state revenue in fiscal 2007. The increase in expenditures was due primarily to the increase in the regular instructional areas.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of West Harrison Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report West Harrison Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which West Harrison Community School District acts solely as an agent or custodial for the benefit of those outside of the School District.

Notes to the financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

Figure A-1

West Harrison Community School District Annual Financial Report

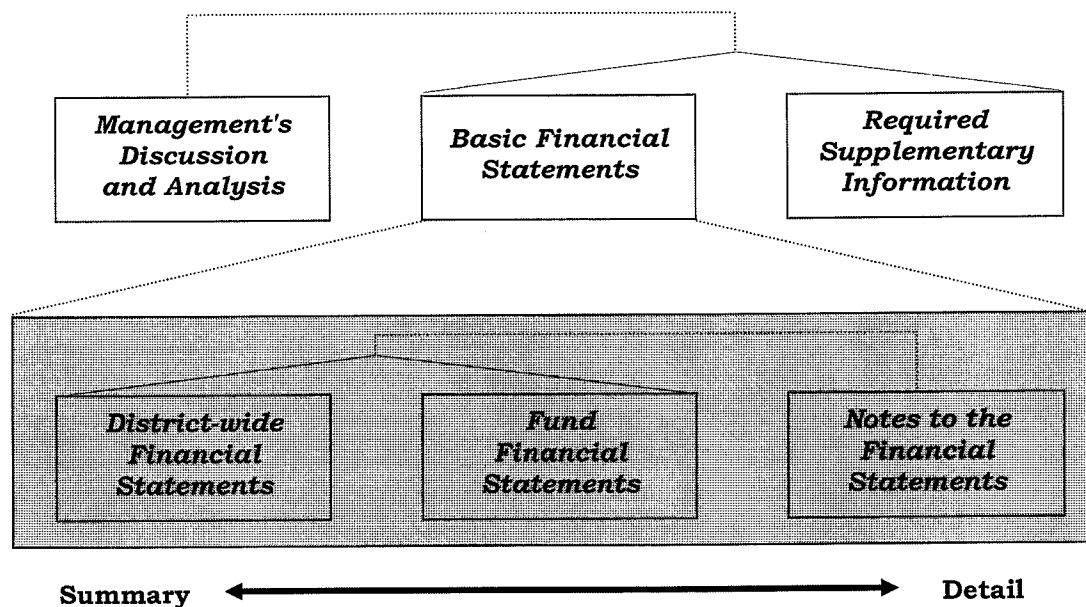


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2 Major Features of the Government-Wide and Fund Financial Statements				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses, e.g., food service	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of revenues, expenses and changes in net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business-type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Fund.

The required financial statements for the governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide

financial statements. The District's enterprise funds, one type of proprietary fund, are the same as its business-type activities, but provide more detail and additional information, such as cash flows. The District currently has one enterprise fund, the School Nutrition Fund.

The required financial statements for the proprietary funds include a statement of revenues, expenses and changes in net assets and a statement of cash flows.

- 3) *Fiduciary funds*: The District is a trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust funds.

The District is responsible for ensuring that the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the Government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's total net assets at June 30, 2007 compared to June 30, 2006.

Figure A-3
Condensed Statement of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2007	2006	2007	2006	2007	2006	2006-07
Current and other assets	\$ 5,670,838	4,762,749	8,771	6,865	5,679,609	4,769,614	19.08%
Capital assets	4,564,232	4,761,471	16,579	20,119	4,580,811	4,781,590	-4.20%
Total assets	10,235,070	9,524,220	25,350	26,984	10,260,420	9,551,204	7.43%
Long-term obligations	2,109,392	2,405,919	0	0	2,109,392	2,405,919	-12.32%
Other liabilities	4,609,783	4,076,869	23,795	12,887	4,633,578	4,089,756	13.30%
Total liabilities	6,719,175	6,482,788	23,795	12,887	6,742,970	6,495,675	3.81%
Net assets:							
Invested in capital assets, net of related debt	2,529,232	2,486,065	16,579	20,119	2,545,811	2,506,184	1.58%
Restricted	899,932	530,863	0	0	899,932	530,863	69.52%
Unrestricted	86,731	24,504	(15,024)	(6,022)	71,707	18,482	287.98%
Total net assets	\$ 3,515,895	3,041,432	1,555	14,097	3,517,450	3,055,529	15.12%

The District's combined net assets increased by 15.12%, or \$461,921, over the prior year. The largest portion of the District's net assets is the invested in capital assets, net of related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased \$369,069, or 69.52% over the prior year.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased \$53,225 or 287.98%.

Figure A-4 shows the changes in net assets for the years ended June 30, 2007 and June 30, 2006.

Figure A-4 Changes of Net Assets								
	Governmental Activities		Business-type Activities		Total School District		Total Change	
	2007	2006	2007	2006	2007	2006	2006-07	
Revenues:								
Program revenues:								
Charges for services	\$ 371,665	494,653	101,259	101,119	472,924	595,772	-20.62%	
Operating grants and contributions and restricted interest	599,028	660,134	116,454	117,195	715,482	777,329	-7.96%	
Capital grants and contributions and restricted interest	0	21,918	0	0	0	21,918	-100.00%	
General revenues:								
Property tax	2,275,327	2,130,118	0	0	2,275,327	2,130,118	6.82%	
Local option sales and services tax	317,617	239,750	0	0	317,617	239,750	32.48%	
Unrestricted state grants	1,994,755	1,935,001	0	0	1,994,755	1,935,001	3.09%	
Other	170,451	131,752	227	273	170,678	132,025	29.28%	
Transfers	(269)	0	0	0	(269)	0	-100.00%	
Total revenues	5,728,574	5,613,326	217,940	218,587	5,946,514	5,831,913	1.97%	
Program expenses:								
Governmental activities:								
Instructional	3,256,143	3,030,631	0	0	3,256,143	3,030,631	7.44%	
Support services	1,632,343	1,673,359	408	0	1,632,751	1,673,359	-2.43%	
Non-instructional programs	0	0	230,074	239,318	230,074	239,318	-3.86%	
Other expenses	365,625	430,942	0	0	365,625	430,942	-15.16%	
Total expenses	5,254,111	5,134,932	230,482	239,318	5,484,593	5,374,250	2.05%	
Changes in net assets	474,463	478,394	(12,542)	(20,731)	461,921	457,663	0.93%	
Beginning net assets	3,041,432	2,563,038	14,097	34,828	3,055,529	2,597,866	17.62%	
Ending net assets	\$ 3,515,895	3,041,432	1,555	14,097	3,517,450	3,055,529	15.12%	

Local tax and unrestricted state grants account for 74.54% of the total revenue. The District's expenses primarily relate to instruction and support services which account for 93.04% of the total expenses.

Changes in revenues will be as a result of changes in student participation, whether in the regular, special or extracurricular programs. The most significant change in revenues was due to the increase in local tax monies. Fluctuations in basic enrollment will significantly impact the state revenues, as well as property tax revenues, keeping in mind that neither source of funding will be ever fully realized with current law and funding structure as set by the legislature, and the mid-year reduction of funding on the part of the state.

The most significant fluctuation in expenditure levels will be caused by increased salary and benefit obligations, in large part resulting from collective bargaining agreements. With a declining enrollment comes lesser ability to fund various programs required by the state and constant

evaluation of staffing needs becomes a priority. Even with certain staff reductions there may still be an increase in expenditures due to the salary and benefit requirements.

The District makes a continual effort to be a good steward of public funds and maintains a philosophy of providing the best education possible, exploring every avenue available to fund the programs, while making certain to keep watch for services that could be merged with other programs. The District saw an overall greater increase in revenues than the increase in expenditures, demonstrating an increase in the financial position for the year.

Governmental Activities

Revenues for governmental activities were \$5,728,574 and expenses were \$5,254,111. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services and other expenses.

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2007	2006	Change 2006-07	2007	2006	Change 2006-07
Instruction	\$ 3,256,143	3,030,631	7.44%	2,445,472	2,029,989	20.47%
Support services	1,632,343	1,673,359	-2.45%	1,632,343	1,673,359	-2.45%
Other expenses	365,625	430,942	-15.16%	205,603	254,879	-19.33%
Totals	<u>\$ 5,254,111</u>	<u>5,134,932</u>	<u>2.32%</u>	<u>4,283,418</u>	<u>3,958,227</u>	<u>8.22%</u>

- The cost financed by users of the District's programs was \$371,665.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$599,028.
- The net cost of governmental activities was financed with \$2,275,327 in local tax, \$317,617 in local option sales and services tax, \$1,994,755 in unrestricted state grants, and \$124,421 in interest income.

Business-Type Activities

Revenues of the District's business-type activities were \$217,940 and expenses were \$230,482. The District's business-type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

As previously noted, the West Harrison Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$917,671, above last year's ending fund balances of a \$570,438. The primary reason for the increase in combined fund balances in fiscal 2007 is due to the increase in local tax and decrease in support service and other expenditures during the fiscal year 2007.

Governmental Fund Highlights

- The increase in revenues was enough to offset the increase in expenditures during the fiscal year 2007, causing the General Fund balance to increase. The District's General Fund increased \$24,449. The increase is due primarily to an increase in local tax and state revenues.
- The District's Physical Plant and Equipment Levy Fund increased by \$42,980 due to a decrease in operation and maintenance of plant services expenditures.
- The District's Capital Projects Fund increased by \$288,090. The increase is due primarily to the increase in local option sales and services tax revenue and a decrease in student transportation expenditures.
- The District's Management Levy Fund increased by \$28,497 due to the increase in local tax revenue.
- The District's Debt Service Fund decreased by \$67,430 due to the decrease in local tax revenue.

Proprietary Fund Highlights

The Proprietary Funds net assets decreased from \$14,097 at June 30, 2006 to \$1,555 at June 30, 2007, representing a decrease of 88.97%. For fiscal 2007, the District's expenditures decreased but they were still more than the revenues resulting in a decrease in the fund balance.

BUDGETARY HIGHLIGHTS

The District's revenues were \$285,574 less than budgeted revenues, a variance of 4.6%. The most significant variance resulted from the District receiving less in state and federal sources than originally anticipated.

Total disbursements were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget disbursements at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual disbursements for the year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2007, the District had invested \$4,580,811, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net decrease of 4.20% from last year. More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$280,077.

The original cost of the District's capital assets was \$7,182,859. Governmental funds account for \$7,138,400 with the remainder of \$44,459 in the Proprietary funds.

The largest percentage change in capital asset activity during the year occurred in the machinery and equipment category. The District's machinery and equipment totaled \$268,115 at

June 30, 2007, compared to \$363,243 reported at June 30, 2006. This decrease resulted from the current year depreciation expense.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental Activities		Business-type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2007	2006	2007	2006	2007	2006	2006-07
Land	\$ 20,000	20,000	0	0	20,000	20,000	0.00%
Buildings	4,268,758	4,372,202	0	0	4,268,758	4,372,202	-2.37%
Land improvements	23,938	26,145	0	0	23,938	26,145	-8.44%
Machinery and equipment	251,536	343,124	16,579	20,119	268,115	363,243	-26.19%
Total	\$ 4,564,232	4,761,471	16,579	20,119	4,580,811	4,781,590	-4.20%

Long-Term Debt

At June 30, 2007, the District had \$2,109,392 in general obligation and other long-term debt outstanding. This represents a decrease of 12.36% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 6 to the financial statements.

The District had outstanding general obligation bonds of \$2,035,000 at June 30, 2007.

The District had early retirement payable of \$74,392 at June 30, 2007.

Figure A-7
Outstanding Long-Term Obligations

	Total School District		Total Change
	June 30,		June 30,
	2007	2006	2006-07
General obligation bonds	\$ 2,035,000	2,340,000	-13.0%
Early retirement	74,392	65,919	12.9%
Totals	\$ 2,109,392	2,405,919	-12.3%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- The District has experienced decreased enrollment, and the projected numbers are smaller for the next 5 to 6 years.
- With the dissolution of the East Monona Community School District, the area served by West Harrison Community School District has increased, which has increased the District's transportation needs and expenditures.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Jane Roden, Business Manager, West Harrison Community School District, 410 Pine Street, Mondamin, Iowa, 51557.

BASIC FINANCIAL STATEMENTS

WEST HARRISON COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2007

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and pooled investments:			
ISCAP (Note 3)	\$ 1,968,045	0	1,968,045
Other	1,102,983	0	1,102,983
Receivables:			
Property tax:			
Delinquent	32,422	0	32,422
Succeeding year	2,140,844	0	2,140,844
Income surtax	149,134	0	149,134
Accounts	157,993	0	157,993
Accrued interest - ISCAP (Note 3)	69,728	0	69,728
Due from other governments	49,689	0	49,689
Inventories	0	8,771	8,771
Capital assets, net of accumulated depreciation (Note 5)	4,564,232	16,579	4,580,811
TOTAL ASSETS	10,235,070	25,350	10,260,420
LIABILITIES			
Excess of warrants issued over bank balance	0	20,821	20,821
Accounts payable	4,480	122	4,602
Salaries and benefits payable	414,803	0	414,803
ISCAP warrants payable (Note 3)	1,972,000	0	1,972,000
ISCAP accrued interest payable (Note 3)	60,902	0	60,902
ISCAP unamortized premium	11,004	0	11,004
Accrued interest payable	5,750	0	5,750
Deferred revenue:			
Succeeding year property tax	2,140,844	0	2,140,844
Other	0	2,852	2,852
Long-term liabilities (Note 6):			
Portion due within one year:			
General obligation bonds payable	315,000	0	315,000
Early retirement payable	21,388	0	21,388
Portion due after one year:			
General obligation bonds payable	1,720,000	0	1,720,000
Early retirement payable	53,004	0	53,004
TOTAL LIABILITIES	6,719,175	23,795	6,742,970
NET ASSETS			
Invested in capital assets, net of related debt	2,529,232	16,579	2,545,811
Restricted for:			
Market factor	3,906	0	3,906
Debt service	3,569	0	3,569
Capital projects	562,913	0	562,913
Physical plant and equipment levy	75,256	0	75,256
Other special revenue purposes	254,288	0	254,288
Unrestricted	86,731	(15,024)	71,707
TOTAL NET ASSETS	\$ 3,515,895	1,555	3,517,450

SEE NOTES TO FINANCIAL STATEMENTS.

WEST HARRISON COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2007

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		Total
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business-Type Activities	
Functions/Programs						
Governmental activities:						
Instruction:						
Regular instruction	\$ 2,180,633	301,855	411,203	(1,467,575)	0	(1,467,575)
Special instruction	541,983	69,810	27,803	(444,370)	0	(444,370)
Other instruction	533,527	0	0	(533,527)	0	(533,527)
	<u>3,256,143</u>	<u>371,665</u>	<u>439,006</u>	<u>(2,445,472)</u>	<u>0</u>	<u>(2,445,472)</u>
Support services:						
Student services	114,488	0	0	(114,488)	0	(114,488)
Instructional staff services	135,536	0	0	(135,536)	0	(135,536)
Administration services	591,194	0	0	(591,194)	0	(591,194)
Operation and maintenance of plant services	385,282	0	0	(385,282)	0	(385,282)
Transportation services	405,843	0	0	(405,843)	0	(405,843)
	<u>1,632,343</u>	<u>0</u>	<u>0</u>	<u>(1,632,343)</u>	<u>0</u>	<u>(1,632,343)</u>
Other expenditures:						
Facilities and acquisitions	12,419	0	0	(12,419)	0	(12,419)
Long-term debt interest	74,727	0	0	(74,727)	0	(74,727)
AEA flowthrough	160,022	0	160,022	0	0	0
Depreciation(unallocated)*	118,457	0	0	(118,457)	0	(118,457)
	<u>365,625</u>	<u>0</u>	<u>160,022</u>	<u>(205,603)</u>	<u>0</u>	<u>(205,603)</u>
Total governmental activities	5,254,111	371,665	599,028	(4,283,418)	0	(4,283,418)
Business-Type activities:						
Support services:						
Operation and maintenance of plant services	408	0	0	0	(408)	(408)
Non-instructional programs:						
Nutrition services	230,074	101,259	116,454	0	(12,361)	(12,361)
Total business-type activities	<u>230,482</u>	<u>101,259</u>	<u>116,454</u>	<u>0</u>	<u>(12,769)</u>	<u>(12,769)</u>
Total	<u>\$ 5,484,593</u>	<u>472,924</u>	<u>715,482</u>	<u>(4,283,418)</u>	<u>(12,769)</u>	<u>(4,296,187)</u>
General Revenues and Transfers:						
General Revenues:						
Local tax for:						
General purposes				\$ 1,919,326	0	1,919,326
Debt Service				310,212	0	310,212
Capital outlay				45,789	0	45,789
Local option sales and services tax				317,617	0	317,617
Unrestricted state grants				1,994,755	0	1,994,755
Unrestricted investment earnings				124,421	227	124,648
Other general revenue				46,030	0	46,030
Transfers				(269)	0	(269)
Total general revenues and transfers				<u>4,757,881</u>	<u>227</u>	<u>4,758,108</u>
Changes in net assets				474,463	(12,542)	461,921
Net assets beginning of year				<u>3,041,432</u>	<u>14,097</u>	<u>3,055,529</u>
Net assets end of year				<u>\$ 3,515,895</u>	<u>1,555</u>	<u>3,517,450</u>

* This amount excludes the depreciation that is included in the direct expense of various program.

SEE NOTES TO FINANCIAL STATEMENTS.

WEST HARRISON COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2007

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
ASSETS				
Cash and pooled investments:				
ISCAP (Note 3)	\$ 1,968,045	0	0	1,968,045
Other	347,205	414,250	341,528	1,102,983
Receivables:				
Property tax:				
Delinquent	24,833	0	7,589	32,422
Succeeding year	1,650,038	0	490,806	2,140,844
Income surtax	149,134	0	0	149,134
Accounts	8,799	148,663	531	157,993
Accrued interest - ISCAP (Note 3)	69,728	0	0	69,728
Due from other governments	49,594	0	95	49,689
TOTAL ASSETS	\$ 4,267,376	562,913	840,549	5,670,838
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 3,406	0	1,074	4,480
Salaries and benefits payable	414,803	0	0	414,803
ISCAP warrants payable (Note 3)	1,972,000	0	0	1,972,000
ISCAP accrued interest payable (Note 3)	60,902	0	0	60,902
ISCAP unamortized premium	11,004	0	0	11,004
Deferred revenue:				
Succeeding year property tax	1,650,038	0	490,806	2,140,844
Income surtax	149,134	0	0	149,134
Total liabilities	4,261,287	0	491,880	4,753,167
Fund balances:				
Reserved for:				
Market factor	3,906	0	0	3,906
Debt service	0	0	3,569	3,569
Unreserved:				
General	2,183	0	0	2,183
Capital Projects	0	562,913	0	562,913
Management levy	0	0	15,556	15,556
Physical plant and equipment levy	0	0	75,256	75,256
Other special revenue purposes	0	0	254,288	254,288
Total fund balances	6,089	562,913	348,669	917,671
TOTAL LIABILITIES AND FUND BALANCES	\$ 4,267,376	562,913	840,549	5,670,838

SEE NOTES TO FINANCIAL STATEMENTS.

WEST HARRISON COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS
 JUNE 30, 2007

Total fund balances of governmental funds (page 15)	\$ 917,671
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in in the governmental funds.	4,564,232
Accounts receivable income surtax, are not yet available to finance expenditures of the current period.	149,134
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(5,750)
Long-term liabilities, including general obligation bonds and early retirement, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	(2,109,392)
Net assets of governmental activites (page 13)	<u><u>\$ 3,515,895</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

WEST HARRISON COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2007

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
REVENUES:				
Local sources:				
Local tax	\$ 1,757,113	317,617	490,927	2,565,657
Tuition	174,225	0	0	174,225
Other	190,830	12,812	164,249	367,891
State sources	2,402,085	0	361	2,402,446
Federal sources	191,337	0	0	191,337
Total revenues	4,715,590	330,429	655,537	5,701,556
EXPENDITURES:				
Current:				
Instruction:				
Regular instruction	2,056,628	0	36,939	2,093,567
Special instruction	538,012	0	0	538,012
Other instruction	403,002	0	129,665	532,667
	2,997,642	0	166,604	3,164,246
Support services:				
Student services	114,488	0	0	114,488
Instructional staff services	131,322	21,069	0	152,391
Administration services	589,785	0	0	589,785
Operation and maintenance of plant services	321,225	0	61,941	383,166
Transportation services	380,157	0	7,692	387,849
	1,536,977	21,069	69,633	1,627,679
Other expenditures:				
Facilities acquisitions	0	21,270	3,955	25,225
Long-term debt:				
Principal	0	0	305,000	305,000
Interest and fiscal charges	0	0	75,382	75,382
AEA flowthrough	160,022	0	0	160,022
	160,022	21,270	384,337	565,629
Total expenditures	4,694,641	42,339	620,574	5,357,554
Excess of revenues over expenditures	20,949	288,090	34,963	344,002
Other financing sources(uses):				
Transfer out	0	0	(269)	(269)
Sale of real property	3,500	0	0	3,500
Total other financing sources(uses)	3,500	0	(269)	3,231
Net change in fund balances	24,449	288,090	34,694	347,233
Fund balance beginning of year	(18,360)	274,823	313,975	570,438
Fund balance end of year	\$ 6,089	562,913	348,669	917,671

SEE NOTES TO FINANCIAL STATEMENTS.

WEST HARRISON COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 JUNE 30, 2007

Net change in fund balances - total governmental funds (page 17) \$ 347,233

*Amounts reported for governmental activities in the
 statement of activities are different because:*

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$ 79,298	
Depreciation expense	<u>(276,537)</u>	(197,239)

Repayment of long-term debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets. 305,000

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 655

Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds. 27,287

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Early retirement	<u>(8,473)</u>
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Changes in net assets of governmental activities (page 14) \$ 474,463

SEE NOTES TO FINANCIAL STATEMENTS.

WEST HARRISON COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2007

	<u>School Nutrition</u>
ASSETS	
Inventories	\$ 8,771
Capital assets, net of accumulated depreciation(Note 5)	16,579
TOTAL ASSETS	<u>25,350</u>
LIABILITIES	
Excess of warrants issued over bank balance	20,821
Accounts payable	122
Unearned revenue	2,852
TOTAL LIABILITIES	<u>23,795</u>
NET ASSETS	
Invested in capital assets, net of related debt	16,579
Unrestricted	(15,024)
TOTAL NET ASSETS	<u>\$ 1,555</u>

SEE NOTES TO FINANCIAL STATEMENTS.

WEST HARRISON COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2007

	<u>School Nutrition</u>
OPERATING REVENUE:	
Local sources:	
Charges for services	\$ 101,259
TOTAL OPERATING REVENUES	<u>101,259</u>
OPERATING EXPENSES:	
Support services:	
Operation and maintenance of plant services:	
Supplies	<u>408</u>
Non-instructional programs:	
Food service operations:	
Salaries	100,418
Benefits	17,763
Services	310
Supplies	107,757
Other	286
Depreciation	<u>3,540</u>
	<u>230,074</u>
TOTAL OPERATING EXPENSES	<u>230,482</u>
OPERATING LOSS	<u>(129,223)</u>
NON-OPERATING REVENUES:	
State sources	2,982
Federal sources	113,472
Interest on investments	<u>227</u>
TOTAL NON-OPERATING REVENUES	<u>116,681</u>
Change in net assets	(12,542)
Net assets beginning of year	<u>14,097</u>
Net assets end of year	<u><u>\$ 1,555</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

WEST HARRISON COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2007

	<u>School Nutrition</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 101,412
Cash received from miscellaneous	166
Cash payments to employees for services	(118,181)
Cash payments to suppliers for goods or services	(91,846)
Net cash used in operating activities	<u>(108,449)</u>
Cash flows from non-capital financing activities:	
State grants received	2,982
Federal grants received	94,773
Net cash provided by non-capital financing activities	<u>97,755</u>
Cash flows from investing activities:	
Interest on investments	227
Net cash provided by investing activities	<u>227</u>
Net decrease in cash and cash equivalents	(10,467)
Cash and cash equivalents at beginning of year	<u>(10,354)</u>
Cash and cash equivalents at end of year	<u><u>\$ (20,821)</u></u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (129,223)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	18,699
Depreciation	3,540
Increase in inventories	(1,906)
Increase in accounts payable	122
Increase in unearned revenue	319
Net cash used in operating activities	<u><u>\$ (108,449)</u></u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:	
Current assets:	
Cash and pooled investments	<u><u>\$ (20,821)</u></u>

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2007, the District received Federal commodities valued at \$18,699.

SEE NOTES TO FINANCIAL STATEMENTS.

WEST HARRISON COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2007

	<u>Private Purpose</u>
	<u>Trust</u>
	<u>Scholarship</u>
Assets	
Cash and pooled investments	\$ 2,586
Total assets	<u>2,586</u>
Liabilities	<u>0</u>
Net assets	
Reserved for scholarships	<u>\$ 2,586</u>

SEE NOTES TO FINANCIAL STATEMENTS.

WEST HARRISON COMMUNITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2007

	Private Purpose Trust Scholarship
Additions	
Local sources:	
Gifts and contributions	\$ 7,948
Interest income	135
Total additions	<u>8,083</u>
Deductions	
Instruction:	
Scholarships awarded	<u>11,766</u>
Change in net assets before other financing sources	(3,683)
Other financing sources:	
Transfer in	<u>269</u>
Change in net assets	(3,414)
Net assets beginning of year	<u>6,000</u>
Net assets end of year	<u>\$ 2,586</u>

SEE NOTES TO FINANCIAL STATEMENTS.

WEST HARRISON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

(1) **Summary of Significant Accounting Policies**

The West Harrison Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the city of Mondamin, Iowa, and the predominate agricultural territory in Harrison and Monona Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, West Harrison Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The West Harrison Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Harrison and Monona Counties Assessors' Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues,

are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net assets use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net asset consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The Capital Projects Fund is used to account for all resources used in the acquisition of capital facilities.

The District's proprietary funds is the School Nutrition Fund. The Nutrition fund is used to account for the food service operations of the District.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements which require income earned to be used to benefit individuals through scholarship awards.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses

generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Balances

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in the governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2005 assessed property valuations; is for the tax accrual period July 1, 2006 through June 30, 2007 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2006.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, machinery, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 1,000
Buildings	1,000
Land improvements	1,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	1,000

Capital assets are depreciated using the straight line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Land improvements	20 years
Machinery and equipment	5-20 years

Salaries and Benefits Payable - Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which is payable in July and August, have been accrued as liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax

receivables and other receivables not collected within sixty days after year end.

Deferred revenue on the statement of net assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Unearned Revenue - Unearned revenues in the School Nutrition Fund are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The revenue will be considered earned when services are provided. The lunch account balances are reflected on the Statement of Net Assets in the Proprietary Funds.

Long-term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Balances - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2007 expenditures did not exceed budgeted amounts.

(2) **Cash and Pooled Investments**

The District's deposits at June 30, 2007 were entirely covered by Federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education and the Treasurer of the State of Iowa; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2007, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	Amortized Cost
Iowa Schools Joint Investment Trust	\$ 412,825

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit risk. The investments in the Iowa Schools Joint Investment Trust were both rated Aaa by Moody's Investors Service.

(3) Iowa School Cash Anticipation Program (ISCAP)

The District participates in the Iowa School Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings and amounts available for withdrawal for each outstanding series of warrants. Bankers Trust Co. NA is the trustee for the program. A summary of the District's participation in ISCAP at June 30, 2007 is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
2006-07A	6/28/06	6/28/07	\$ 0	50,033	0	44,070
2006-07B	1/26/07	1/25/08	862,794	19,365	865,000	16,550
2007-08A	6/28/07	6/27/08	1,105,251	330	1,107,000	282
Total			\$ 1,968,045	69,728	1,972,000	60,902

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In addition, the District must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. ISCAP advance activity for the year ended June 30, 2007 is as follows:

Series	Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
2005-06B	\$ 0	650,000	650,000	0
2006-07A	0	800,000	800,000	0
Total	\$ 0	1,450,000	1,450,000	0

The warrants bear interest and the available proceeds of the warrants are invested at the interest rates shown below:

Series	Interest Rates on Warrants	Interest Rates on Investments
2006-07A	4.500%	5.676%
2006-07B	4.250%	5.315%
2007-08A	4.500%	5.455%

(4) Transfers

The detail of transfers for the year ended June 30, 2007 is as follows:

Transfer to	Transfer from	Amount
Private Purpose Trust	Expendable Trust	\$ 269

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

(5) Capital Assets

Capital assets activity for the year ended June 30, 2007 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 20,000	0	0	20,000
Total capital assets not being depreciated	20,000	0	0	20,000
Capital assets being depreciated:				
Buildings	5,875,179	12,806	0	5,887,985
Land improvements	185,460	0	0	185,460
Machinery and equipment	978,463	66,492	0	1,044,955
Total capital assets being depreciated	7,039,102	79,298	0	7,118,400
Less accumulated depreciation for:				
Buildings	1,502,977	116,250	0	1,619,227
Land improvements	159,315	2,207	0	161,522
Machinery and equipment	635,339	158,080	0	793,419
Total accumulated depreciation	2,297,631	276,537	0	2,574,168
Total capital assets being depreciated, net	4,741,471	(197,239)	0	4,544,232
Governmental activities capital assets, net	\$ 4,761,471	(197,239)	0	4,564,232

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Machinery and equipment	\$ 44,459	0	0	44,459
Less accumulated depreciation	24,340	3,540	0	27,880
Business-type activities capital assets, net	\$ 20,119	(3,540)	0	16,579

Depreciation expense was charged by the District as follows:

Governmental activities:

Instruction:

Regular	\$ 82,093
Special	3,971
Other	2,160

Support services:

Instructional staff	4,214
Administration	1,409
Operation and maintenance of plant	2,116
Transportation	62,117

158,080

Unallocated depreciation

118,457

Total governmental activities depreciation expense

\$ 276,537

Business-type activities:

Food service operations	\$ 3,540
-------------------------	----------

(6) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2007 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
General obligation bonds	\$ 2,340,000	0	305,000	2,035,000	315,000
Early retirement	65,919	26,502	18,029	74,392	21,388
Total	\$ 2,405,919	26,502	323,029	2,109,392	336,388

General Obligation Bonds Payable

Details of the District's June 30, 2007 general obligation bonded indebtedness is as follows:

Year Ending June 30,	Bond Issue of April 1, 2003			
	Interest Rates	Principal	Interest	Total
2008	2.85-3.00 %	\$ 315,000	66,791	381,791
2009	3.10-3.20	320,000	57,303	377,303
2010	3.30-3.40	330,000	46,980	376,980
2011	3.45-3.50	345,000	35,715	380,715
2012	3.55-3.65	355,000	23,551	378,551
2013	3.70-3.80	370,000	10,452	380,452
Total		\$ 2,035,000	240,792	2,275,792

Early Retirement

The District offered in prior years a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five and employees must have completed fifteen years of continuous service to the District. Employees must complete an application which is required to be approved by the Board of Education. The early retirement incentive for each eligible employee is equal to the difference of the employee's

base salary calculated by using the current year regular salary schedule, less any other additional pay and the current year BA Step I hiring base rate of pay. Early retirement benefits paid during the year ended June 30, 2007, totaled \$18,029.

(7) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2007, 2006 and 2005. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2007, 2006, and 2005 were \$166,615, \$168,147, and \$163,370 respectively, equal to the required contributions for each year.

(8) Risk Management

West Harrison Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(9) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$160,022 for the year ended June 30, 2007 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(10) Deficit Unrestricted Net Assets

The Enterprise, School Nutrition Fund had deficit unrestricted net assets of \$15,024 at June 30, 2007.

REQUIRED SUPPLEMENTARY INFORMATION

WEST HARRISON COMMUNITY SCHOOL DISTRICT
BUDGETARY COMPARISON OF REVENUES, EXPENDITURES AND
CHANGES IN BALANCES -
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
AND PROPRIETARY FUNDS
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2007

	Governmental	Proprietary	Total	Budgeted Amounts		Final to
	Fund	Fund				Actual
	Actual	Actual	Actual	Original	Final	Variance
Revenues:						
Local sources	\$ 3,107,773	101,486	3,209,259	3,243,792	3,243,792	(34,533)
State sources	2,402,446	2,982	2,405,428	2,571,278	2,571,278	(165,850)
Federal sources	191,337	113,472	304,809	390,000	390,000	(85,191)
Total revenues	5,701,556	217,940	5,919,496	6,205,070	6,205,070	(285,574)
Expenditures:						
Instruction	3,164,246	0	3,164,246	3,489,251	3,489,251	325,005
Support services	1,627,679	408	1,628,087	2,106,596	2,106,596	478,509
Non-instructional programs	0	230,074	230,074	249,028	249,028	18,954
Other expenditures	565,629	0	565,629	703,367	703,367	137,738
Total expenditures	5,357,554	230,482	5,588,036	6,548,242	6,548,242	960,206
Excess(deficiency) of revenues over(under) expenditures	344,002	(12,542)	331,460	(343,172)	(343,172)	674,632
Other financing sources, net	3,231	0	3,231	0	0	3,231
Excess(deficiency) of revenues and other financing sources over(under) expenditures	347,233	(12,542)	334,691	(343,172)	(343,172)	677,863
Balance beginning of year	570,438	14,097	584,535	367,596	367,596	216,939
Balance end of year	\$ 917,671	1,555	919,226	24,424	24,424	894,802

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WEST HARRISON COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2007

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparison for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functional areas, not by fund or fund type. These four functional areas are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

OTHER SUPPLEMENTARY INFORMATION

WEST HARRISON COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2007

	Special Revenue Funds						Total
	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Expendable Trust	Total Special Revenue	Debt Service	Other Nonmajor Governmental Funds
ASSETS							
Cash and pooled investments	\$ 13,470	26,508	74,548	228,228	342,754	(1,226)	341,528
Receivables:							
Property tax:							
Current year delinquent	2,086	0	708	0	2,794	4,795	7,589
Succeeding year	163,000	0	45,614	0	208,614	282,192	490,806
Accounts	0	531	0	0	531	0	531
Due from other governments	0	95	0	0	95	0	95
TOTAL ASSETS	\$ 178,556	27,134	120,870	228,228	554,788	285,761	840,549
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable	\$ 0	1,074	0	0	1,074	0	1,074
Deferred revenue:							
Succeeding year property tax	163,000	0	45,614	0	208,614	282,192	490,806
	163,000	1,074	45,614	0	209,688	282,192	491,880
Fund balances:							
Reserved for:							
Debt Service	0	0	0	0	0	3,569	3,569
Unreserved:							
Undesignated	15,556	26,060	75,256	228,228	345,100	0	345,100
Total fund balances	15,556	26,060	75,256	228,228	345,100	3,569	348,669
TOTAL LIABILITIES AND FUND BALANCES	\$ 178,556	27,134	120,870	228,228	554,788	285,761	840,549

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WEST HARRISON COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2007

	Special Revenue Funds						Total
	Manage-	Physical					Other
	ment	Plant and	Equipment	Expendable	Special	Debt	Nonmajor
	Levy	Student Activity	Levy	Trust	Revenue	Service	Governmental
							Funds
REVENUES:							
Local sources:							
Local tax	\$ 134,926	0	45,789	0	180,715	310,212	490,927
Other	44	129,123	1,112	31,458	161,737	2,512	164,249
State sources	99	0	34	0	133	228	361
TOTAL REVENUES	135,069	129,123	46,935	31,458	342,585	312,952	655,537
EXPENDITURES:							
Current:							
Instruction:							
Regular instruction	36,939	0	0	0	36,939	0	36,939
Other instruction	0	127,509	0	2,156	129,665	0	129,665
Support services:							
Operation and maintenance of plant services	61,941	0	0	0	61,941	0	61,941
Student transportation	7,692	0	0	0	7,692	0	7,692
Other expenditures:							
Facilities acquisitions	0	0	3,955	0	3,955	0	3,955
Long-term debt:							
Principal	0	0	0	0	0	305,000	305,000
Interest	0	0	0	0	0	75,382	75,382
TOTAL EXPENDITURES	106,572	127,509	3,955	2,156	240,192	380,382	620,574
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER)							
EXPENDITURES	28,497	1,614	42,980	29,302	102,393	(67,430)	34,963
OTHER FINANCING USES:							
Transfer out	0	0	0	(269)	(269)	0	(269)
Net change in fund balances	28,497	1,614	42,980	29,033	102,124	(67,430)	34,694
FUND BALANCE BEGINNING OF YEAR	(12,941)	24,446	32,276	199,195	242,976	70,999	313,975
FUND BALANCE END OF YEAR	\$ 15,556	26,060	75,256	228,228	345,100	3,569	348,669

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WEST HARRISON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
YEAR ENDED JUNE 30, 2007

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Interest	\$ 545	1,382	1,807	120
Danz Team	240	0	63	177
Yearbook	0	4,499	4,499	0
Summer Parade Prize Money	0	25	0	25
Athletic Fundraiser	714	27,307	27,706	315
Pop/Snack/Pen/Pencil	1,106	25,219	26,119	206
JH History Day	339	184	523	0
Cheerleaders	652	2,329	2,859	122
FCCLA	581	8,605	8,208	978
FCCLA Team Nutrition Grant	0	381	381	0
History Day Grant	622	0	331	291
Red Cross Club	306	374	337	343
Drama	1,525	1,252	954	1,823
Drama Donations	0	250	0	250
Boys Summer League Basketball	1,419	0	451	968
Elem. Pictures	258	0	151	107
FFA	0	100	0	100
C.O.R.E. Fundraiser	46	0	0	46
Communications Video	92	0	0	92
Vocational Fundraiser	133	0	0	133
Choral & Senior Gowns	1,365	0	765	600
National Honor Society	437	270	707	0
Ind Arts Marketing	6	225	60	171
Class of 2007	899	549	1,448	0
Class of 2008	0	18,423	16,154	2,269
Instrumental Music	35	2,650	2,529	156
Instrumental Music Donations	0	250	129	121
Cross Country	0	20	0	20
Elem. Music	125	6	131	0
Vocal Music	0	3,760	3,760	0
Vocal Donations	0	250	0	250
Scholarship	2	0	0	2
Student Council	202	3,414	3,209	407
Softball Sign	267	1,150	0	1,417
JH Athletics	125	605	580	150
Lift-A-Thon	3,821	1,768	1,066	4,523
Baseball	334	205	440	99
Football	2,314	5,690	7,054	950
Boys Track	571	224	0	795
Girls Track	257	877	777	357
Experiment in Intern. Living	652	4,141	4,263	530
Elem Jump Rope for Heart	79	0	79	0
MS Student Council	257	607	475	389
Middle School Fundraiser	3,476	4,653	3,856	4,273
Elem. Fundraiser	106	753	664	195
SH Fundraiser	138	147	25	260
Boys Basketball	184	0	0	184
Volleyball	0	6,200	4,761	1,439
Fall Sports Fundraiser	140	0	0	140
Community Development	0	315	48	267
Elementary Skate Rental Fund	76	64	140	0
Total	\$ 24,446	129,123	127,509	26,060

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WEST HARRISON COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
 ALL GOVERNMENTAL FUND TYPES
 FOR THE LAST FOUR YEARS

		Modified Accrual Basis			
		Years Ended June 30,			
		2007	2006	2005	2004
Revenues:					
Local sources:					
Local tax	\$	2,565,657	2,359,915	2,263,627	2,114,411
Tuition		174,225	256,689	282,570	351,140
Other		367,891	364,802	308,453	168,476
Intermediate sources		0	4,925	0	0
State sources		2,402,446	2,301,134	2,359,487	1,938,519
Federal sources		191,337	315,908	298,610	270,123
Total	\$	5,701,556	5,603,373	5,512,747	4,842,669
Expenditures:					
Current:					
Instruction:					
Regular instruction	\$	2,093,567	1,880,985	1,850,542	1,676,106
Special instruction		538,012	609,976	887,368	811,205
Other instruction		532,667	523,656	386,208	374,496
Support services:					
Student services		114,488	146,616	122,347	94,346
Instructional staff services		152,391	198,741	130,832	123,822
Administration services		589,785	545,057	561,189	566,158
Operation and maintenance of plant services		383,166	379,808	416,196	365,320
Transportation services		387,849	473,378	357,111	299,068
Non-instructional programs		0	0	24,719	5,406
Other expenditures:					
Facilities acquisitions		25,225	117,046	329,026	37,741
Long-term debt:					
Principal		305,000	300,000	295,000	260,000
Interest		75,382	82,283	87,976	115,506
AEA flow-through		160,022	154,145	154,609	139,940
Total	\$	5,357,554	5,411,691	5,603,123	4,869,114

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NOLTE, CORNMAN & JOHNSON P.C.
Certified Public Accountants
(a professional corporation)
117 West 3rd Street North, Newton, Iowa 50208-3040
Telephone (641) 792-1910

Independent Auditor's Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements Performed in
Accordance with Government Auditing Standards

To the Board of Education of the
West Harrison Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of West Harrison Community School District of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 25, 2008. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered West Harrison Community School District internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of West Harrison Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of West Harrison Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects West Harrison Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of West Harrison Community School District's financial statements that is more than inconsequential will not be prevented or detected by West Harrison Community School District's internal control. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by West Harrison Community School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item I-A-07 is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether West Harrison Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2007 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

West Harrison Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit West Harrison Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of West Harrison Community School District and other parties to whom West Harrison Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of West Harrison Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Nolte, Cornman & Johnson PC
NOLTE, CORNMAN & JOHNSON, P.C.

March 25, 2008

WEST HARRISON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2007

Part I: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

SIGNIFICANT DEFICIENCIES:

- I-A-07 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal were all done by the same person.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However the District should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - We will investigate available alternatives and implement as soon as possible.

Conclusion - Response accepted.

- I-B-07 Supporting Documents for Payments with Credit Cards - Payments made with credit cards do not always have detailed supporting documentation.

Recommendation - The District has a policy in place for credit card usage. The policy identifies the users of the credit cards need to provide detailed receipts for purchases made. The District should review procedures in place to ensure the proper detailed documentation will be available with paid credit card statements. The policy should be followed.

Response - We will follow the board policy and put procedures in place to ensure compliance with the policy.

Conclusion - Response accepted.

- I-C-07 Purchase Orders - We noted during our audit that purchase orders in the Activity Fund were dated after the invoices. We also noted in the Activity Fund that there were purchase orders being hand numbered. Purchase orders are typically used to document approval prior to the purchase as well as documenting which account will be paying for the invoice. The fact the purchase orders are completed after the invoice arrives, indicates that purchases are being made without proper approval.

Recommendation - The District should review procedures in place with regard to use of purchase orders, placing the order and subsequent payment. The purchase order when properly completed provides a document which shows authorization of order and which line item account will be affected. The District should require purchase orders be completed prior to ordering.

Response - We will require all purchase orders to be completed prior to ordering and will use pre-numbered purchase orders to maintain control.

Conclusion - Response accepted.

I-D-07 Receipts - We noted that the District is not always issuing receipts to sponsors when funds are turned into the office. We also noted that sponsors are not always turning in support documentation with the money collected.

Recommendation - The District's internal control could be improved by issuing receipts to sponsors when funds are turned in and counted. Any discrepancies can be resolved at that particular time.

Response - Receipts will be issued to sponsors when funds are turned in and counted and we will require documentation from each sponsor.

Conclusion - Response accepted.

I-E-07 Physical Plant and Equipment Levy (PPEL) and Capital Projects Expenditures - According to Chapter 298.3 of the Code of Iowa, PPEL monies may be used for a purchase of a single unit of equipment exceeding \$500 per unit. According to the District's revenue purpose statement, Capital Projects Fund money can be spent for PPEL type expenditures, thus falling within the same \$500 per unit of equipment restriction. We noted during our audit that the District purchased 40 desks from the Capital Projects Fund for \$112 per unit, which is less than \$500 per single unit.

Recommendation - The District should review the Code of Iowa with regard to allowable expenditures from the PPEL Fund to avoid non compliance. The District should review revenue purpose statements in regards to the use of the Capital Projects Fund money. The District had enough expenditures paid from the General Fund that would have qualified as Capital Projects expenditures so a corrective transfer is not necessary.

Response - We will apply the same \$500 restriction to Local Option/Capital Projects expenditures as per the Code of Iowa for PPEL expenditures.

Conclusion - Response accepted.

WEST HARRISON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2007

Part II: Other Findings Related to Required Statutory Reporting

- II-A-07 Certified Budget - District disbursements for the year ended June 30, 2007, did not exceed the amount budgeted.
- II-B-07 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- II-C-07 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- II-D-07 Business Transactions - Business transactions between the District and District officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Joyce Hall, Secretary Spouse of Owner of Hall Body Shop	Purchased services	\$77
Bev Hutchinson, Teacher Spouse cleans horns	Purchased services	\$154

In accordance with the Attorney General's opinion dated November 9, 1976 the above transactions with the spouses do not appear to represent a conflict of interest.

- II-E-07 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- II-F-07 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.
- II-G-07 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.
- II-H-07 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- II-I-07 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely, and we noted no significant deficiencies in the amounts reported.
- II-J-07 Financial Condition - The District had a deficit unrestricted net assets of \$15,024 in the Enterprise - School Nutrition fund.

Recommendation - The District should continue to monitor this fund and investigate alternatives to eliminate the deficit.

Response - We will review the expenses of the Nutrition Fund and re-evaluate the prices charged and investigate alternatives to eliminate the deficit.

Conclusion - Response accepted.

II-K-07 Electronic Check Retention - We noted during our audit that the District receives their Activity and Nutrition Fund checks from the bank as photo images showing only the front of the checks. Per Chapter 554D.114 of the Code of Iowa, the District is required to retain both the front and back of check images.

Recommendation - The District should contact the bank to rectify the situation. The District should receive the photo images showing both the front and back of the checks or the original issued check.

Response - We contacted the bank that handles the Activity and Nutrition Funds and requested photo images showing the front and back of the checks.

Conclusion - Response accepted.